
City of Allen Park, Michigan

**Financial Report
with Supplemental Information
June 30, 2022**

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Independent Auditor's Report

To the City Council
City of Allen Park, Michigan

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Allen Park, Michigan (the "City") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Allen Park Housing Commission, which represents approximately 20 percent and 10 percent of the assets and revenue, respectively, of the aggregate discretely presented component units. The City of Allen Park Housing Commission's net position is \$1,555,115 compared to a deficit of \$1,083,719 in the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the City Council
City of Allen Park, Michigan

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the City Council
City of Allen Park, Michigan

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

November 29, 2022

As management of the City of Allen Park, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2022.

Financial Highlights

- The General Fund reported revenue in excess of expenditures and transfers of \$317,528, resulting in fund balance increasing from \$4,507,781 to \$4,825,309.
- Property taxes revenue in the General Fund increased by \$118,665 to \$13,947,651.
- The City sold the property formerly used by the Water and Sewer Department and Department of Public Works off Southfield Road for \$667,000.
- The General Fund transferred \$1,071,000 to the Capital Projects Fund to fund the 2021-2022 approved projects in the five-year capital plan.
- Grants for parks, fire, water, and sewer from Wayne County, Michigan; FEMA; and state and federal sources totaled \$8,458,385. Included in that amount is a federal American Rescue Plan Act funds for capital items in the amount of \$2.8M.
- The General Fund was again able to contribute \$500,000 to the Retiree Healthcare Fund. This conforms to the State of Michigan plan per P.A. 202.
- The Department of Public Works project to develop the property purchased from Baker College was operational by June 2021. Work continued into 2022 to finish the MDEQ required retention pond. Soil from that project is being moved to Kennedy Park to help create a recreation hill.
- As of June 30, 2022, only the Fire Contract was open.
- Capital projects in 2021-2022 included equipment for the new Public Safety vehicles and cameras, trucks for the DPS, and parking lot repaving at Recreation. The City also finished the water meter replacement program delayed due to COVID-19.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. The statement of net position presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., the cost of pension and other postemployment benefits).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and culture and recreation. The business-type activities of the City include providing water and sewage disposal.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Brownfield Redevelopment Authority, a legally separate Downtown Development Authority, and a legally separate Housing Commission for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The Building Authority, although also legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into the following three categories:

- Governmental funds - The majority of the City's basic services, including the governmental funds, not only focus on how cash and other financial assets can readily be converted to cash flows in and out but also the year-end balances that are available to finance future city programs. Because this information does not include the additional long-term focus of the government-wide statements, reconciliation statements are provided to explain the difference between the two methods of reporting.
- Proprietary funds - The City reports the water and sewer activity.
- Fiduciary funds - These funds are used to account for resources held for the benefit of parties outside the government. The City is responsible for ensuring the assets reported in these funds are used for their intended purpose. Fiduciary activities are excluded from the City's government-wide statements because these assets are not available to finance city operations.

City of Allen Park, Michigan

Management's Discussion and Analysis (Continued)

Government-wide Overall Financial Analysis

The tables below show the net position and changes in net position as of June 30, 2022 and 2021. Following the tables is an explanation of the reasons for significant fluctuations. The adjustments described above have been reflected in the tables below:

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets:						
Cash and investments	\$ 12,252,440	\$ 7,731,986	\$ 1,919,816	\$ 1,948,082	\$ 14,172,256	\$ 9,680,068
Receivables	2,137,999	2,166,448	3,992,083	4,480,977	6,130,082	6,647,425
Other assets	404,633	571,725	1,431,628	1,475,890	1,836,261	2,047,615
Capital assets	43,504,549	41,617,319	67,128,641	66,693,613	110,633,190	108,310,932
Total assets	58,299,621	52,087,478	74,472,168	74,598,562	132,771,789	126,686,040
Deferred Outflows of Resources	2,878,309	4,403,088	222,778	321,636	3,101,087	4,724,724
Liabilities						
Current liabilities	4,852,486	3,133,241	1,281,977	1,545,138	6,134,463	4,678,379
Noncurrent liabilities	62,530,744	75,477,370	23,885,893	25,084,930	86,416,637	100,562,300
Total liabilities	67,383,230	78,610,611	25,167,870	26,630,068	92,551,100	105,240,679
Deferred Inflows of Resources	11,912,641	8,448,612	988,715	673,192	12,901,356	9,121,804
Net Position (Deficit)						
Net investment in capital assets	38,062,611	35,617,931	49,733,487	47,374,800	87,796,098	82,992,731
Restricted	4,322,668	2,640,202	-	-	4,322,668	2,640,202
Unrestricted	(60,503,220)	(68,826,790)	(1,195,126)	242,138	(61,698,346)	(68,584,652)
Total net position (deficit)	<u>\$ (18,117,941)</u>	<u>\$ (30,568,657)</u>	<u>\$ 48,538,361</u>	<u>\$ 47,616,938</u>	<u>\$ 30,420,420</u>	<u>\$ 17,048,281</u>

City of Allen Park, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue:						
Charges for services	\$ 4,308,305	\$ 4,153,357	\$ 11,576,196	\$ 11,464,890	\$ 15,884,501	\$ 15,618,247
Operating grants	4,200,225	5,049,420	239,351	-	4,439,576	5,049,420
Capital grants	58,827	279,368	-	-	58,827	279,368
General revenue:						
Property taxes	18,480,007	18,322,058	985,844	991,815	19,465,851	19,313,873
Intergovernmental	4,620,401	3,798,746	-	-	4,620,401	3,798,746
Investment earnings	22,884	19,874	9,602	4,480	32,486	24,354
Other revenue	1,395,385	806,959	-	6,629	1,395,385	813,588
Total revenue	33,086,034	32,429,782	12,810,993	12,467,814	45,897,027	44,897,596
Expenses						
General government	4,157,915	6,079,327	-	-	4,157,915	6,079,327
District court	1,982,033	1,925,776	-	-	1,982,033	1,925,776
Public safety	5,688,867	8,559,153	-	-	5,688,867	8,559,153
Public works	5,562,132	5,093,180	-	-	5,562,132	5,093,180
Recreation and culture	2,255,718	1,919,863	-	-	2,255,718	1,919,863
Debt service	988,653	1,018,617	-	-	988,653	1,018,617
Water and Sewer Fund	-	-	11,889,570	11,476,505	11,889,570	11,476,505
Total expenses	20,635,318	24,595,916	11,889,570	11,476,505	32,524,888	36,072,421
Change in Net Position	12,450,716	7,833,866	921,423	991,309	13,372,139	8,825,175
Net Position (Deficit) -						
Beginning of year	(30,568,657)	(38,402,523)	47,616,938	46,625,629	17,048,281	8,223,106
Net Position (Deficit) - End of year	\$ (18,117,941)	\$ (30,568,657)	\$ 48,538,361	\$ 47,616,938	\$ 30,420,420	\$ 17,048,281

Governmental Activities

Net position may serve over time as a useful indicator of a government's financial position. The City's financial position is the product of a number of transactions, including the net results of its activities, the payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The City's deficit in the governmental activities decreased by \$12,450,716 to a deficit of \$18,117,941, which is due to a reduction to the City's net pension liability and related balances, reduction to the City's net OPEB liability and related balances, and increased grant funding.

Business-type Activities

The City increased net position by \$921,423 in its business type activities for the fiscal year ended June 30, 2022. Although there were no significant changes in its operations during the current fiscal year, the City continues to follow the five-year capital plan that is refreshed every year and has invested \$1.1 million in infrastructure, equipment, and facility upgrades to the water and sewer system during the 2022 fiscal year.

Financial Analysis of Individual Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$10,043,850, a change of \$2,503,248 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$3,379,866, while total fund balance was \$4,825,309. As a measure of the General Fund's liquidity and financial stability, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 14.2 percent of total General Fund expenditures, while total fund balance represented 20.3 percent of expenses.

Total fund balance of the City's General Fund increased by \$317,528 during the fiscal year.

General Fund Budgetary Highlights

The City was awarded a Financially Distressed Cities, Villages and Townships (FDCVT) Grant from the Michigan Department of Treasury for the replacement of Lead Water Service Line. The total amount of the grant was \$200,000.

According to the United States Census Bureau, the City gained 428 residents from the last census count and now has a population of 28,638.

The contract for the demolition of the Allen Park Theater was awarded to VIN-Con, Inc. The City has received a modified grant from the Downriver Community Conference (DCC) Downriver Area Brownfield Consortium in the amount of \$85,000 for asbestos abatement, testing administration, and application submissions.

Capital Assets and Debt Administration

The City of Allen Park, Michigan's continued investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounts to \$110,633,190 (net of accumulated depreciation).

More detailed information about capital assets and debt can be found in Notes 5 and 7, respectively, to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The major sources of revenue for the City are property taxes and state-shared revenue. While the City's taxable property values have decreased or remained relatively flat over the last several years, the City continues to work diligently to cut operating costs as expenditures continue to increase amid uncertainty due to the lingering effects of the COVID-19 pandemic.

Although taxable values have stabilized in southeastern Michigan, it is anticipated the property values will remain small or flat (0.5 to 1.4 percent) in the next fiscal year.

Lastly, the following future efforts are in progress to continue to move the City forward:

- In the 2022 construction season, the street improvement millage (collected in December 2021) was spent on Park Avenue (Angelique to Champaign) and Rosedale (Wick to Moore). For 2023, construction is scheduled for Paris from Allen to Laurence.
- The City issued \$12.5 million in MTF and Capital Improvement Bonds to reconstruct Rosedale from Southfield to Champaign and Reeck Road from Goddard to Wick. Reeck will also receive over one mile of new water main as part of the bonding. These projects will start in Spring 2023 and may extend over into 2024.
- Capital outlay for 2021-2022 included \$1,071,000 in capital outlay transferred from the General Fund. Another \$1,884,804 was paid in installment purchase payments and bonds.

Requests for Further Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. The entire budget is available for review on the city website (www.cityofallenpark.org). For additional questions about this report or additional information, requests should be directed to the city administrator at (313) 928-1883 or mailed to 15915 Southfield Road, Allen Park, MI 48101.

June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 12,252,440	\$ 1,919,816	\$ 14,172,256	\$ 3,511,691
Receivables:				
Customer receivables	-	3,492,083	3,492,083	1,793
Other receivables	122,990	-	122,990	-
Due from other governments	2,015,009	500,000	2,515,009	-
Inventory	-	110,001	110,001	-
Prepaid expenses and other assets	247	26,069	26,316	20,303
Restricted assets (Note 4)	404,386	1,295,558	1,699,944	-
Capital assets: (Note 5)				
Assets not subject to depreciation	1,216,013	560,180	1,776,193	152,343
Assets subject to depreciation - Net	42,288,536	66,568,461	108,856,997	4,416,363
Total assets	58,299,621	74,472,168	132,771,789	8,102,493
Deferred Outflows of Resources				
Deferred charges on bond refunding (Note 7)	56,084	-	56,084	21,496
Deferred pension costs (Note 11)	2,503,442	188,528	2,691,970	-
Deferred OPEB costs (Note 12)	318,783	34,250	353,033	-
Total deferred outflows of resources	2,878,309	222,778	3,101,087	21,496
Liabilities				
Accounts payable	1,147,791	855,227	2,003,018	48,895
Due to other governmental units	1,004	-	1,004	-
Refundable deposits, bonds, etc.	117,027	-	117,027	19,404
Accrued liabilities and other	718,553	426,750	1,145,303	62,709
Unearned revenue	2,868,111	-	2,868,111	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	184,431	2,922	187,353	2,442
Current portion of bonds payable (Note 7)	1,140,000	1,743,467	2,883,467	985,000
Due in more than one year:				
Compensated absences (Note 7)	1,659,884	26,295	1,686,179	13,837
Bonds payable - Net of current portion (Note 7)	23,811,050	16,947,245	40,758,295	8,075,421
Other noncurrent liabilities	-	1,500,000	1,500,000	-
Net pension liability (Note 11)	5,397,395	406,464	5,803,859	-
Net OPEB liability (Note 12)	30,337,984	3,259,500	33,597,484	-
Total liabilities	67,383,230	25,167,870	92,551,100	9,207,708
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 11)	9,061,752	682,417	9,744,169	-
Deferred OPEB cost reductions (Note 12)	2,850,889	306,298	3,157,187	-
Total deferred inflows of resources	11,912,641	988,715	12,901,356	-
Net Position (Deficit)				
Net investment in capital assets	38,062,611	49,733,487	87,796,098	3,483,855
Restricted:				
Roads	1,883,837	-	1,883,837	-
Debt service	726,753	-	726,753	-
Police	66,049	-	66,049	-
Rubbish	346,654	-	346,654	-
Library	192,781	-	192,781	-
Building	1,106,594	-	1,106,594	-
Unrestricted	(60,503,220)	(1,195,126)	(61,698,346)	(4,567,574)
Total net position (deficit)	\$ (18,117,941)	\$ 48,538,361	\$ 30,420,420	\$ (1,083,719)

City of Allen Park, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 4,157,915	\$ 1,139,099	\$ 15,631	\$ -
District court	1,982,033	1,523,726	256,903	-
Public safety	5,688,867	1,216,702	316,019	-
Public works	5,562,132	19,558	3,512,335	-
Recreation and culture	2,255,718	409,220	99,337	58,827
Interest on long-term debt	988,653	-	-	-
Total governmental activities	20,635,318	4,308,305	4,200,225	58,827
Business-type activities - Water and Sewer Fund	11,889,570	11,576,196	239,351	-
Total primary government	\$ 32,524,888	\$ 15,884,501	\$ 4,439,576	\$ 58,827
Component units:				
Brownfield Redevelopment Authority	\$ 1,732,470	\$ -	\$ -	\$ -
Downtown Development Authority	965,202	515	-	-
Housing Commission	538,247	267,098	99,100	14,207
Total component units	\$ 3,235,919	\$ 267,613	\$ 99,100	\$ 14,207
General revenue:				
Taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position (Deficit) - Beginning of year				
Net Position (Deficit) - End of year				

Statement of Activities

Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,003,185)	\$ -	\$ (3,003,185)	\$ -
(201,404)	-	(201,404)	-
(4,156,146)	-	(4,156,146)	-
(2,030,239)	-	(2,030,239)	-
(1,688,334)	-	(1,688,334)	-
(988,653)	-	(988,653)	-
(12,067,961)	-	(12,067,961)	-
-	(74,023)	(74,023)	-
(12,067,961)	(74,023)	(12,141,984)	-
-	-	-	(1,732,470)
-	-	-	(964,687)
-	-	-	(157,842)
-	-	-	(2,854,999)
18,480,007	985,844	19,465,851	3,386,605
4,620,401	-	4,620,401	468,284
22,884	9,602	32,486	4,175
510,343	-	510,343	-
1,000	-	1,000	51,718
884,042	-	884,042	495
24,518,677	995,446	25,514,123	3,911,277
12,450,716	921,423	13,372,139	1,056,278
(30,568,657)	47,616,938	17,048,281	(2,139,997)
\$ (18,117,941)	\$ 48,538,361	\$ 30,420,420	\$ (1,083,719)

Governmental Funds
Balance Sheet

June 30, 2022

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 3,948,742	\$ 4,092,362	\$ 4,211,336	\$ 12,252,440
Receivables:				
Other receivables	122,990	-	-	122,990
Due from other governments	1,387,601	-	627,408	2,015,009
Prepaid expenses and other assets	247	-	-	247
Restricted assets (Note 4)	404,386	-	-	404,386
Total assets	\$ 5,863,966	\$ 4,092,362	\$ 4,838,744	\$ 14,795,072
Liabilities				
Accounts payable	\$ 505,096	\$ 120,478	\$ 522,217	\$ 1,147,791
Due to other governmental units	1,004	-	-	1,004
Refundable deposits, bonds, etc.	-	-	117,027	117,027
Accrued liabilities and other	509,704	-	8,248	517,952
Unearned revenue	10,302	2,831,090	26,719	2,868,111
Total liabilities	1,026,106	2,951,568	674,211	4,651,885
Deferred Inflows of Resources - Unavailable revenue	12,551	-	86,786	99,337
Total liabilities and deferred inflows of resources	1,038,657	2,951,568	760,997	4,751,222
Fund Balances				
Nonspendable	247	-	-	247
Restricted:				
Roads	-	-	1,883,837	1,883,837
Police	-	-	66,049	66,049
Debt service	404,386	-	322,367	726,753
Building	-	-	1,106,594	1,106,594
Library	-	-	105,995	105,995
Rubbish	-	-	346,654	346,654
Committed	-	-	246,251	246,251
Assigned:				
Subsequent year's budget	40,810	-	-	40,810
Capital projects	1,000,000	1,140,794	-	2,140,794
Unassigned	3,379,866	-	-	3,379,866
Total fund balances	4,825,309	1,140,794	4,077,747	10,043,850
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,863,966	\$ 4,092,362	\$ 4,838,744	\$ 14,795,072

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 10,043,850
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	43,504,549
Receivables that are not collected soon after year end are not available to pay for current period expenditures, and, therefore, are reported as unavailable revenue in the funds	99,337
Bonds payable, including deferred charges on bond refundings, and lease obligations are not due and payable in the current period and are not reported in the funds	(24,894,966)
Accrued interest is not due and payable in the current period and is not reported in the funds	(200,601)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(1,844,315)
Pension benefits	(11,955,705)
Retiree health care benefits	(32,870,090)
Net Position (Deficit) of Governmental Activities	<u>\$ (18,117,941)</u>

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Taxes	\$ 13,947,651	\$ -	\$ 4,532,356	\$ 18,480,007
Intergovernmental:				
Federal grants	50,187	-	5,321	55,508
State sources	4,298,527	-	4,045,523	8,344,050
Local grants and contributions	-	58,827	-	58,827
Charges for services	3,507,592	-	1,180,320	4,687,912
Fines and forfeitures	1,523,726	-	20,883	1,544,609
Licenses and permits	547,543	-	-	547,543
Interest and rentals	20,572	-	2,312	22,884
Other revenue	239,643	684,233	11,099	934,975
Total revenue	24,135,441	743,060	9,797,814	34,676,315
Expenditures				
Current services:				
General government	5,091,976	-	502,637	5,594,613
District court	1,786,400	-	195,633	1,982,033
Public safety	10,871,977	-	33,152	10,905,129
Public works	2,095,706	-	6,591,789	8,687,495
Recreation and culture	1,017,050	-	872,800	1,889,850
Capital outlay	-	1,182,893	-	1,182,893
Debt service:				
Principal	660,000	-	250,000	910,000
Interest and fiscal charges	874,804	-	147,250	1,022,054
Total expenditures	22,397,913	1,182,893	8,593,261	32,174,067
Excess of Revenue Over (Under) Expenditures	1,737,528	(439,833)	1,204,553	2,502,248
Other Financing Sources (Uses)				
Transfers in	-	1,167,718	500,000	1,667,718
Transfers out	(1,421,000)	-	(246,718)	(1,667,718)
Sale of capital assets	1,000	-	-	1,000
Total other financing (uses) sources	(1,420,000)	1,167,718	253,282	1,000
Net Change in Fund Balances	317,528	727,885	1,457,835	2,503,248
Fund Balances - Beginning of year	4,507,781	412,909	2,619,912	7,540,602
Fund Balances - End of year	\$ 4,825,309	\$ 1,140,794	\$ 4,077,747	\$ 10,043,850

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$ 2,503,248
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	4,116,201
Depreciation expense	(2,228,971)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	94,016
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	934,997
Interest expense is recognized in the government-wide statements as it accrues	8,404
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	<u>7,022,821</u>
Change in Net Position of Governmental Activities	<u><u>\$ 12,450,716</u></u>

Proprietary Fund
Statement of Net Position

June 30, 2022

	Water and Sewer Fund
Assets	
Current assets:	
Cash and investments	\$ 1,919,816
Receivables:	
Customer receivables	3,492,083
Due from other governments	500,000
Inventory	110,001
Prepaid expenses and other assets	26,069
Total current assets	6,047,969
Noncurrent assets:	
Restricted assets (Note 4)	1,295,558
Capital assets: (Note 5)	
Assets not subject to depreciation	560,180
Assets subject to depreciation - Net	66,568,461
Total noncurrent assets	68,424,199
Total assets	74,472,168
Deferred Outflows of Resources	
Deferred pension costs	188,528
Deferred OPEB costs	34,250
Total deferred outflows of resources	222,778
Liabilities	
Current liabilities:	
Accounts payable	855,227
Accrued liabilities and other	426,750
Compensated absences (Note 7)	2,922
Current portion of bonds payable (Note 7)	1,743,467
Total current liabilities	3,028,366
Noncurrent liabilities:	
Compensated absences (Note 7)	26,295
Net pension liability	406,464
Net OPEB liability	3,259,500
Bonds payable - Net of current portion (Note 7)	16,947,245
Other noncurrent liabilities	1,500,000
Total noncurrent liabilities	22,139,504
Total liabilities	25,167,870
Deferred Inflows of Resources	
Deferred pension cost reductions	682,417
Deferred OPEB cost reductions	306,298
Total deferred inflows of resources	988,715
Net Position	
Net investment in capital assets	49,733,487
Unrestricted	(1,195,126)
Total net position	\$ 48,538,361

Proprietary Fund
Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2022

	<u>Water and Sewer Fund</u>
Operating Revenue	
Sale of water	\$ 5,680,674
Sewage disposal charges	5,434,667
Other sales to customers	14,840
Interest and penalty charges	<u>446,015</u>
Total operating revenue	11,576,196
Operating Expenses	
Cost of water	2,621,710
Cost of sewage treatment	2,407,264
Other operating and maintenance costs	3,343,416
Billing and administrative costs	723,727
Depreciation	<u>2,262,560</u>
Total operating expenses	<u>11,358,677</u>
Operating Income	217,519
Nonoperating Revenue (Expense)	
Property tax revenue	985,844
Investment income	9,602
Interest expense	(530,893)
Operating grants	<u>239,351</u>
Total nonoperating revenue	<u>703,904</u>
Change in Net Position	921,423
Net Position - Beginning of year	<u>47,616,938</u>
Net Position - End of year	<u><u>\$ 48,538,361</u></u>

Proprietary Fund
Statement of Cash Flows

Year Ended June 30, 2022

	Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 11,543,196
Payments to suppliers	(6,638,695)
Payments to employees and fringes	(1,347,298)
	<u>3,557,203</u>
Net cash provided by operating activities	3,557,203
Cash Flows from Noncapital Financing Activities - Grant receipts	239,351
Cash Flows from Capital and Related Financing Activities	
Property taxes restricted for debt items	985,844
Purchase of capital assets	(1,983,086)
Principal and interest paid on capital debt	(2,752,569)
	<u>(3,749,811)</u>
Net cash used in capital and related financing activities	(3,749,811)
Net Increase in Cash	46,743
Cash - Beginning of year	<u>2,373,376</u>
Cash - End of year	<u><u>\$ 2,420,119</u></u>
Classification of Cash	
Cash and investments	\$ 1,919,816
Restricted cash	500,303
	<u>2,420,119</u>
Total cash	<u><u>\$ 2,420,119</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 217,519
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	2,262,560
Changes in assets and liabilities:	
Receivables	(42,602)
Due to and from other funds	31,496
Inventories	83,130
Prepaid and other assets	(22,596)
Accounts payable	1,855,663
Net pension or OPEB liability	(1,206,303)
Deferrals related to pension or OPEB	412,978
Accrued and other liabilities	(34,642)
	<u>3,339,684</u>
Total adjustments	3,339,684
Net cash provided by operating activities	<u><u>\$ 3,557,203</u></u>

Noncash Capital and Related Financing Activities - During the current year, there was an increase in the City's debt of \$69,032 due to an increase in the City's allocation of the Downriver Utility Wastewater System debt due to an increase in the City's sewage flow compared to the total sewage flow of the system. In addition, during the current year, the Downriver Utility Wastewater System issued long-term debt for future capital improvements. The City's allocation of the long-term debt and capital improvements totaled \$714,502.

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2022

	Pension and Other Employee Benefit Funds	Custodial Fund - Tax Collection Fund	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 2,736,281	\$ 28,381	\$ 2,764,662
Investments:			
Treasury bonds	8,371,811	-	8,371,811
Agency securities	2,270,907	-	2,270,907
Mutual funds - Fixed income	9,501,632	-	9,501,632
Mortgage securities	142,405	-	142,405
Stocks	15,446,559	-	15,446,559
Corporate bonds	8,550,858	-	8,550,858
Other fixed income	1,013,045	-	1,013,045
ETF - Equity	32,431,330	-	32,431,330
Mutual funds - Equity	37,514,821	-	37,514,821
Receivables - Accrued interest	139,189	-	139,189
Total assets	118,118,838	28,381	118,147,219
Liabilities - Due to other governmental units	-	28,381	28,381
Net Position - Restricted			
Pension	113,931,166	-	113,931,166
Postemployment benefits other than pension	4,187,672	-	4,187,672
Total net position	\$ 118,118,838	\$ -	\$ 118,118,838

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

	Pension and Other Employee Benefit Funds	Custodial Fund - Tax Collection Fund	Total Fiduciary Funds
Additions			
Investment income:			
Interest and dividends	\$ 3,562,993	\$ -	\$ 3,562,993
Net increase in fair value of investments	11,748,430	-	11,748,430
Investment costs	(346,756)	-	(346,756)
Net investment income	14,964,667	-	14,964,667
Contributions:			
Employer contributions	5,747,431	-	5,747,431
Employee contributions	487,199	-	487,199
Total contributions	6,234,630	-	6,234,630
Property tax collections	-	28,471,441	28,471,441
Total additions	21,199,297	28,471,441	49,670,738
Deductions			
Benefit payments	10,084,971	-	10,084,971
Property tax disbursements	-	28,471,441	28,471,441
Total deductions	10,084,971	28,471,441	38,556,412
Net Increase in Fiduciary Net Position	11,114,326	-	11,114,326
Net Position - Beginning of year	107,004,512	-	107,004,512
Net Position - End of year	\$ 118,118,838	\$ -	\$ 118,118,838

Component Units
Statement of Net Position

June 30, 2022

	Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission - December 31, 2021	Total
Assets				
Cash and investments	\$ 863,028	\$ 2,563,473	\$ 85,190	\$ 3,511,691
Receivables	-	-	1,793	1,793
Prepaid expenses and other assets	-	-	20,303	20,303
Capital assets:				
Assets not subject to depreciation	-	84,293	68,050	152,343
Assets subject to depreciation - Net	-	2,960,097	1,456,266	4,416,363
Total assets	863,028	5,607,863	1,631,602	8,102,493
Deferred Outflows of Resources - Deferred charges on bond refunding	16,347	5,149	-	21,496
Liabilities				
Accounts payable	-	21,569	27,326	48,895
Refundable deposits, bonds, etc.	-	-	19,404	19,404
Accrued liabilities and other	48,292	939	13,478	62,709
Noncurrent liabilities:				
Due within one year:				
Compensated absences	-	-	2,442	2,442
Current portion of bonds payable	620,000	365,000	-	985,000
Due in more than one year:				
Compensated absences	-	-	13,837	13,837
Bonds payable - Net of current portion	7,350,421	725,000	-	8,075,421
Total liabilities	8,018,713	1,112,508	76,487	9,207,708
Net Position (Deficit)				
Net investment in capital assets	-	1,959,539	1,524,316	3,483,855
Unrestricted	(7,139,338)	2,540,965	30,799	(4,567,574)
Total net position (deficit)	\$ (7,139,338)	\$ 4,500,504	\$ 1,555,115	\$ (1,083,719)

City of Allen Park, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Brownfield Redevelopment Authority	\$ 1,732,470	\$ -	\$ -	\$ -
Downtown Development Authority	965,202	515	-	-
Housing Commission	538,247	267,098	99,100	14,207
Total	\$ 3,235,919	\$ 267,613	\$ 99,100	\$ 14,207

General revenue:

- Taxes
- Unrestricted state-shared revenue
- Unrestricted investment income
- Gain on sale of capital assets
- Other miscellaneous income

Total general revenue

Change in Net Position

Net Position (Deficit) - Beginning of year

Net Position (Deficit) - End of year

Component Units
Statement of Activities

Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position			
Brownfield Redevelopment Authority	Downtown Development Authority	Housing Commission	Total
\$ (1,732,470)	\$ -	\$ -	\$ (1,732,470)
-	(964,687)	-	(964,687)
-	-	(157,842)	(157,842)
(1,732,470)	(964,687)	(157,842)	(2,854,999)
2,380,927	1,005,678	-	3,386,605
-	468,284	-	468,284
4,164	-	11	4,175
-	-	51,718	51,718
-	425	70	495
2,385,091	1,474,387	51,799	3,911,277
652,621	509,700	(106,043)	1,056,278
(7,791,959)	3,990,804	1,661,158	(2,139,997)
<u>\$ (7,139,338)</u>	<u>\$ 4,500,504</u>	<u>\$ 1,555,115</u>	<u>\$ (1,083,719)</u>

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The City of Allen Park, Michigan (the "City") follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the city operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Blended Component Unit

The City's Building Authority is governed by a five-member board appointed by the City's governing body. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The Authority's governing body, which consists of 10 individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority (the "Brownfield") was created to facilitate the long-term redevelopment and remediation of environmentally contaminated sites within the City. The Brownfield Redevelopment Authority's governing body consists of a seven-member board that is appointed by the mayor and confirmed by the City Council. The City can significantly influence the operations of the brownfield board since the City Council approves the Brownfield Redevelopment Authority's budget.

Housing Commission

The Housing Commission (the "Commission") was created in the state of Michigan under the provisions of Public Act 18 of the Extra Session of 1933, as amended (MCL 125.651 through 125.709e). A five-member board appointed by the mayor and confirmed by the City Council administers the Housing Commission. The Housing Commission makes annual payments in lieu of taxes to the City; therefore, a financial benefit exists for the City. Complete financial reports can be obtained at the administrative offices at 17000 Champaign Road, Allen Park, MI 48101.

Fiduciary Component Units

The Employees Retirement System is governed by a seven-member pension board that includes the finance director, a retiree appointed by the board and approved by the City Council, two citizens appointed by the mayor and approved by the City Council, a police officer and firefighter member appointed from the respective unions, and a general member elected by the general members. Although it is legally separate from the City, it is reported as a fiduciary component unit because the City appoints a voting majority to the pension board and the plan imposes a financial burden on the City. The Employees Retirement System's fiscal year end is December 31, 2021.

Note 1 - Significant Accounting Policies (Continued)

The City of Allen Park Retiree Healthcare Plan (the "Plan") is governed by the City Council. Although it is legally separate from the City, it is reported as a fiduciary component unit because the Plan is governed by the City Council and the Plan imposes a financial burden on the City.

Jointly Governed Organization

The City is a member of the 24th District Court, which provides judicial services to the City of Allen Park, Michigan and the City of Melvindale, Michigan. The City provides two-thirds of the funding for the 24th District Court.

The participating communities provide annual funding for the 24th District Court's operations and receive a portion of fines and fees collected. During the current year, the City contributed approximately \$1,786,000 for the 24th District Court's operations and received approximately \$1,523,000 in fines and forfeitures. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments. Complete financial statements for the 24th District Court can be obtained from its administrative offices at 6515 Roosevelt Road, Allen Park, Michigan.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Note 1 - Significant Accounting Policies (Continued)

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, and debt service funds. The City reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Capital Projects Fund accounts for certain capital expenditures of the City's various capital projects and is funded primarily through transfers from other funds of the City.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The City reports the following fund as a major enterprise fund:

- The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for user charges.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Pension Trust Fund accumulates resources for pension benefit payments to retirees.
- The Retiree Healthcare Fund accumulates resources for future retiree health care payments to retirees.
- The Custodial Fund collects taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities) and remits the taxes to each authority.

Interfund Activity

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Note 1 - Significant Accounting Policies (Continued)

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sale price at current exchange rates.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The City has pledged, as security for certain bonds issued by the City, a portion of the City's state-shared revenue to pay debt service for certain bonds. The cash is held by a trustee and has been reported as restricted cash in the governmental activities. The restricted assets in the business-type activities result from the establishment of debt reserves and unspent bond proceeds related to the Downriver Utility Wastewater Authority and Downriver Sewage Disposal System bonds.

Note 1 - Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	<u>Depreciable Life - Years</u>
Roads and sidewalks	40
Water and sewer lines	40-60
Buildings	40
Buildings and improvements	20-30
Machinery and equipment	5-20
Vehicles	5-10

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The City reports the following deferred outflows of resources and deferred inflows of resources:

	<u>Outflows</u>	<u>Inflows</u>
Unavailable revenue (those not collected within the period of availability) - Reported only at the modified accrual level		✓
Deferred charge on bond refunding	✓	
Deferred pension costs (outflow) and cost reductions (inflow)	✓	✓
Deferred OPEB costs (outflow) and cost reductions (inflow)	✓	✓

Note 1 - Significant Accounting Policies (Continued)

Net Position

Net position of the City is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and as held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City has, by resolution, authorized the finance director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential either to remove or revise a commitment.

Note 1 - Significant Accounting Policies (Continued)

Effective July 1, 2014, the City approved a fund balance reserve policy. The City desires to maintain a prudent level of financial resources to maintain the City's ability to meet obligations as they come due throughout the year. The fund balance policy prescribes a fund balance reserve of 15-20 percent of the General Fund annual operating expenditures.

Property Tax Revenue

Property taxes are levied on each July 1 and December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2021 property tax revenue was levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the City totaled \$838.9 million (a portion of which is abated and a portion of which is captured by the Brownfield and the Authority). Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	10.4061 \$	7,893,000
Police special voted	6.7500	5,401,000
Rubbish	2.5128	1,906,000
Library	0.8376	635,000
Debt - Community center	0.4736	396,000
Debt - Sewer	0.9309	776,000
EPA judgment - Sewer	0.0962	80,000
Roads	1.9015	1,590,000
Total		<u>\$ 18,677,000</u>

Pension

The City offers a defined benefit pension plan to eligible employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees Retirement System and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

The City offers retiree health care benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Note 1 - Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the City will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation (the General Fund and Water and Sewer Fund, primarily) are used to liquidate the obligations.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

Note 1 - Significant Accounting Policies (Continued)

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The City does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2024.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds except that debt service and transfers out are budgeted as expenditures. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and department. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. State law requires the City to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits the City to amend its budget during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City incurred expenditures in the General Fund, which were in excess of the amounts budgeted, as follows:

	Budget	Actual
General Fund:		
General government - Assessing	\$ 149,240	\$ 152,010
General government - Clerk	228,000	230,224
Debt service	1,532,880	1,534,804

Fund Deficits

The Brownfield Redevelopment Authority has a deficit of \$7,139,338 as of June 30, 2022. The authority plans to pay future debt service with tax increment revenue.

Note 3 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

	Governmental Activities	Business-type Activities	Fiduciary	Component Units
Cash and investments	\$ 12,252,440	\$ 1,919,816	\$ 117,979,649	\$ 3,511,691
Restricted cash (Note 4)	404,386	500,303	-	-
Total deposits and investments	\$ 12,656,826	\$ 2,420,119	\$ 117,979,649	\$ 3,511,691

The investments, excluding the restricted assets held at the Downriver Sewage Disposal System and Downriver Utility Wastewater Authority, are classified into the following categories:

	Governmental Activities	Business-type Activities	Fiduciary	Component Units
Deposits with financial institutions	\$ 9,556,695	\$ 1,142,306	\$ 2,736,281	\$ 2,950,128
Investments:				
Deposits with financial institutions - Certificate of deposit	417,079	132,357	-	62,932
Reported at fair value:				
Treasury bonds	-	-	8,371,811	-
Agency securities	-	-	2,270,907	-
Other fixed income	-	-	1,013,045	-
Mutual funds - Equity	-	-	37,514,821	-
Mutual funds - Fixed income	-	-	9,501,632	-
Stocks	-	-	15,446,559	-
Corporate bonds	-	-	8,550,858	-
ETF - Equity	-	-	32,431,330	-
Mortgage securities	-	-	142,405	-
Municipal bonds	2,064,041	881,186	-	383,591
Commercial paper	619,011	264,270	-	115,040
Total	\$ 12,656,826	\$ 2,420,119	\$ 117,979,649	\$ 3,511,691

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Fund and Retiree Healthcare Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The City's deposits and investment policies are in accordance with statutory authority.

Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had bank deposits of \$9,488,771 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the City had the following investments and maturities:

Primary Government		Fair Value	Less Than 1 Year	1-5 Years	More Than 5 Years	
Municipal bonds		\$ 3,328,818	\$ 101,968	\$ 3,022,599	\$ 204,251	
Commercial paper		998,321	998,321	-	-	
Total		\$ 4,327,139	\$ 1,100,289	\$ 3,022,599	\$ 204,251	
Fiduciary Fund - Pension Trust Fund - December 31, 2021		Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Treasury bonds and agency securities	\$ 10,642,718	\$ -	\$ 5,908,148	\$ 3,046,482	\$ 1,688,088	
Corporate bonds and other fixed income	9,563,903	182,408	5,080,293	4,159,366	141,836	
Mutual funds - Fixed income	8,318,517	-	3,969,167	4,349,350	-	
Mortgage securities	142,405	-	60,786	-	81,619	
Total	\$ 28,667,543	\$ 182,408	\$ 15,018,394	\$ 11,555,198	\$ 1,911,543	
Fiduciary Fund - Retiree Healthcare Fund		Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Mutual funds - Fixed income	\$ 1,183,115	\$ -	\$ 1,068,216	\$ 114,899	\$ -	

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Municipal bonds	\$ 540,985	A1	Moody's
Municipal bonds	999,000	AA+	Moody's
Municipal bonds	204,250	AAA	Moody's
Municipal bonds	143,487	A	S&P
Municipal bonds	101,968	A-	S&P
Municipal bonds	108,264	AA	S&P
Municipal bonds	1,043,035	AA-	S&P
Municipal bonds	187,829	AAA	S&P
Commercial paper	998,321	A2	S&P
Total	<u>\$ 4,327,139</u>		

Investment	Fair Value	Rating	Rating Organization
Fiduciary Fund - Pension Trust Fund - December 31, 2021			
Fixed-income securities	\$ 9,749,215	Not rated	N/A
Fixed-income securities	9,526,327	Aaa	Moody's
Fixed-income securities	195,719	Aa2	Moody's
Fixed-income securities	109,796	Aa3	Moody's
Fixed-income securities	767,969	A1	Moody's
Mutual funds - Fixed income	8,318,517	Not rated	Not rated
Total	<u>\$ 28,667,543</u>		

Investment	Fair Value	Rating	Rating Organization
Fiduciary Fund - Retiree Healthcare Fund			
Mutual funds - Fixed income	\$ 1,183,115	Not rated	Not rated

Component Units

The component units had bank deposits subject to custodial credit risk (uninsured and uncollateralized) of \$3,261,691.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

June 30, 2022

Note 3 - Deposits and Investments (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City's primary government has the following recurring fair value measurements as of June 30, 2022:

- Municipal bonds of \$3,319,818 are valued using a matrix pricing model (Level 2 inputs).

The City's Pension Trust Fund (fiduciary fund) has the following recurring fair value measurements as of December 31, 2021:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2021
Assets				
Fixed income:				
Treasury bonds	\$ 8,371,811	\$ -	\$ -	\$ 8,371,811
Agency securities	-	2,270,907	-	2,270,907
Mortgage securities	-	142,405	-	142,405
Mutual funds	8,318,517	-	-	8,318,517
Corporate bonds	-	8,550,858	-	8,550,858
Other fixed income	-	1,013,045	-	1,013,045
Total fixed income	16,690,328	11,977,215	-	28,667,543
Equity:				
Stocks	15,446,559	-	-	15,446,559
ETF	31,654,931	-	-	31,654,931
Mutual funds	35,374,020	-	-	35,374,020
Total equity	82,475,510	-	-	82,475,510
Total assets	\$ 99,165,838	\$ 11,977,215	\$ -	\$ 111,143,053

June 30, 2022

Note 3 - Deposits and Investments (Continued)

The City's Retiree Healthcare Fund (fiduciary fund) has the following recurring fair value measurements as of June 30, 2022:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
Assets				
Fixed income - Mutual funds	\$ 1,183,115	\$ -	\$ -	\$ 1,183,115
Equity:				
ETF	776,399	-	-	776,399
Mutual funds	2,140,801	-	-	2,140,801
Total equity	2,917,200	-	-	2,917,200
Total assets	\$ 4,100,315	\$ -	\$ -	\$ 4,100,315

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of agency bonds, corporate bonds, mortgage securities, and other fixed income at June 30, 2022 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Note 4 - Restricted Assets

The City's bond ordinances require the bond proceeds to be spent solely for the project expenditures; any unspent proceeds are reported as restricted cash. In addition, the City has pledged, as security for certain bonds issued by the City, a portion of the City's state-shared revenue to pay debt service for certain bonds. The cash is held by a trustee and has been reported as restricted cash.

The restricted assets in the business-type activities result from the establishment of debt reserves and unspent bond proceeds related to the Downriver Utility Wastewater Authority bonds and restricted cash generated from the EPA judgment levy to pay for debt service related to the Downriver Sewage Disposal System bonds.

At June 30, 2022, restricted assets are composed of the following:

Description	Governmental Activities	Business-type Activities
Cash held by trustee for debt service	\$ 404,386	\$ -
Downriver Utility Wastewater Authority - Assets held at the Authority for future capital projects	-	795,255
Restricted cash - EPA judgment levy	-	500,303
Total	\$ 404,386	\$ 1,295,558

The cash reserves held at the Downriver Utility Wastewater Authority were not restricted net position, as the cash reserves were generated from unspent bond proceeds.

June 30, 2022

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

Governmental Activities

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 1,216,013	\$ -	\$ -	\$ -	\$ 1,216,013
Construction in progress	533,066	(533,066)	-	-	-
Subtotal	1,749,079	(533,066)	-	-	1,216,013
Capital assets being depreciated:					
Roads and sidewalks	145,661,327	533,066	2,876,693	-	149,071,086
Buildings and improvements	24,663,893	-	536,339	-	25,200,232
Furniture and equipment	8,253,789	-	239,251	(982,707)	7,510,333
Vehicles	5,385,715	-	463,919	(67,259)	5,782,375
Land improvements	2,514,919	-	-	-	2,514,919
Subtotal	186,479,643	533,066	4,116,202	(1,049,966)	190,078,945
Accumulated depreciation:					
Roads and sidewalks	126,255,199	-	637,347	-	126,892,546
Buildings and improvements	8,502,656	-	572,496	-	9,075,152
Furniture and equipment	6,331,277	-	535,901	(982,707)	5,884,471
Vehicles	3,622,147	-	432,071	(67,259)	3,986,959
Land improvements	1,900,125	-	51,156	-	1,951,281
Subtotal	146,611,404	-	2,228,971	(1,049,966)	147,790,409
Net capital assets being depreciated	39,868,239	533,066	1,887,231	-	42,288,536
Net governmental activities capital assets	<u>\$ 41,617,318</u>	<u>\$ -</u>	<u>\$ 1,887,231</u>	<u>\$ -</u>	<u>\$ 43,504,549</u>

June 30, 2022

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated - Land	\$ 560,180	\$ -	\$ -	\$ -	\$ 560,180
Capital assets being depreciated:					
Water and sewer lines	89,616,697	-	2,095,691	-	91,712,388
Buildings and improvements	5,956,565	-	394,596	-	6,351,161
Furniture and equipment	3,043,025	-	193,862	(60,486)	3,176,401
Meters	2,717,956	-	13,439	-	2,731,395
Subtotal	101,334,243	-	2,697,588	(60,486)	103,971,345
Accumulated depreciation:					
Water and sewer lines	30,329,232	-	1,825,978	-	32,155,210
Buildings and improvements	2,004,569	-	158,341	-	2,162,910
Furniture and equipment	1,488,624	-	206,361	(60,486)	1,634,499
Meters	1,378,385	-	71,880	-	1,450,265
Subtotal	35,200,810	-	2,262,560	(60,486)	37,402,884
Net capital assets being depreciated	66,133,433	-	435,028	-	66,568,461
Net business-type activities capital assets	\$ 66,693,613	\$ -	\$ 435,028	\$ -	\$ 67,128,641

Capital asset activity for the City's Housing Commission (component unit) for the year ended December 31, 2020 was as follows:

Housing Commission - Component Unit

	Balance January 1, 2021	Reclassification	Additions	Disposals and Adjustments	Balance December 31, 2021
Capital assets not being depreciated - Land	\$ 68,050	\$ -	\$ -	\$ -	\$ 68,050
Capital assets being depreciated:					
Buildings and improvements	3,225,053	-	-	-	3,225,053
Furniture, equipment, and machinery - Dwelling	37,031	-	16,710	-	53,741
Furniture, equipment, and machinery - Administration	35,169	-	-	(7,631)	27,538
Subtotal	3,297,253	-	16,710	(7,631)	3,306,332
Accumulated depreciation	1,770,847	-	86,850	(7,631)	1,850,066
Net capital assets being depreciated	1,526,406	-	(70,140)	-	1,456,266
Net housing commission - Component unit capital assets	\$ 1,594,456	\$ -	\$ (70,140)	\$ -	\$ 1,524,316

June 30, 2022

Note 5 - Capital Assets (Continued)

Capital asset activity for the City's Downtown Development Authority (component unit) for the year ended June 30, 2022 was as follows:

Downtown Development Authority - Component Unit

	Balance July 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated - Land	\$ 84,293	\$ -	\$ -	\$ -	\$ 84,293
Capital assets being depreciated:					
Site improvements	12,573,805	-	13,026	-	12,586,831
Furniture and equipment	44,700	-	-	-	44,700
Subtotal	12,618,505	-	13,026	-	12,631,531
Accumulated depreciation:					
Site improvements	9,193,211	-	457,113	-	9,650,324
Furniture and equipment	19,463	-	1,647	-	21,110
Subtotal	9,212,674	-	458,760	-	9,671,434
Net capital assets being depreciated	3,405,831	-	(445,734)	-	2,960,097
Net downtown development authority - Component unit capital assets	<u>\$ 3,490,124</u>	<u>\$ -</u>	<u>\$ (445,734)</u>	<u>\$ -</u>	<u>\$ 3,044,390</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 397,487
Public safety	436,601
Public works	1,007,719
Economic development	1,030
Recreation and culture	386,134
Total governmental activities	<u>\$ 2,228,971</u>
Business-type activities - Water and sewer	\$ 2,262,560
Component unit activities:	
Housing Commission - December 31, 2021	\$ 86,850
Downtown Development Authority	458,760
Total component unit activities	<u>\$ 545,610</u>

Note 6 - Interfund Receivables, Payables, and Transfers

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Capital Projects Fund	\$ 1,071,000
	Nonmajor governmental funds	<u>350,000</u>
	Total General Fund	1,421,000
Nonmajor governmental funds	Capital Projects Fund	96,718
	Nonmajor governmental funds	<u>150,000</u>
	Total nonmajor governmental funds	<u>246,718</u>
	Total	<u><u>\$ 1,667,718</u></u>

The transfers from the General Fund to the Capital Projects Fund and nonmajor funds were made to fund capital projects. The transfers from nonmajor funds to other nonmajor funds were also made to fund capital projects.

June 30, 2022

Note 7 - Long-term Debt

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
2014 State of Michigan Emergency Loan:							
Amount of issue: \$2,600,000		\$270,000 -					
Maturing through 2025	1.20%	\$285,000	\$ 1,100,000	\$ -	\$ (265,000)	\$ 835,000	\$ 270,000
2015B Michigan Finance Authority - Local Government Loan Program Revenue Bonds - Southfield Lease Properties:							
Amount of issue: \$16,750,000	3.16% -	\$220,000 -					
Maturing through 2045	4.80%	\$1,195,000	16,750,000	-	-	16,750,000	220,000
Total direct borrowings and direct placements principal outstanding			17,850,000	-	(265,000)	17,585,000	490,000
Other debt:							
2019 Unlimited Tax General Obligation Refunding Bonds:							
Amount of issue: \$4,540,000	3.00% -	\$250,000 -					
Maturing through 2033	4.00%	\$425,000	4,015,000	-	(250,000)	3,765,000	250,000
2019 Limited Tax General Obligation Refunding Bonds - Southfield Lease Properties:							
Amount of issue: \$2,170,000	2.00% -	\$115,000 -					
Maturing through 2034	4.00%	\$190,000	1,950,000	-	(110,000)	1,840,000	115,000
2020 Limited Tax General Obligation Capital Improvement Bond							
Amount of issue: \$2,000,000	2.36%	\$285,000 -					
Maturing through 2027		\$290,000	1,715,000	-	(285,000)	1,430,000	285,000
Total other debt principal outstanding			7,680,000	-	(645,000)	7,035,000	650,000
Unamortized bond premiums			361,146	-	(30,096)	331,050	-
Total bonds and contracts payable			25,891,146	-	(940,096)	24,951,050	1,140,000
Compensated absences			2,000,773	43,619	(200,077)	1,844,315	184,431
Total governmental activities long-term debt			\$ 27,891,919	\$ 43,619	\$ (1,140,173)	\$ 26,795,365	\$ 1,324,431

June 30, 2022

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
2009 Michigan Municipal Bond Authority - Clean Water Program: Amount of issue: \$12,278,881 Maturing through 2032	2.50%	\$610,000 - \$760,881	\$ 7,435,881	\$ -	\$ (595,000)	\$ 6,840,881	\$ 610,000
Wayne County - Downriver Sewage Disposal System: Amount of issue: Various Maturing through 2028	Various	Various	473,459	-	(58,014)	415,445	60,915
Downriver Utility Wastewater Authority Bonds Amount of issue: Various Maturing through 2042	Various	Various	8,467,965	783,534	(372,113)	8,879,386	412,552
2020 Installment Purchase Agreement - Water meters Amount of issue: \$1,035,000 Maturing through 2022			535,500	-	(535,500)	-	-
Total direct borrowings and direct placements principal outstanding			16,912,805	783,534	(1,560,627)	16,135,712	1,083,467
Other debt:							
2005 General Obligation Limited Tax Bonds: Amount of issue \$4,000,000 Maturing through 2025			195,000	-	(195,000)	-	-
2019 Limited Tax General Obligation Refunding Bonds: Amount of issue \$540,000 Maturing through 2022	1.40%	\$375,000 - \$380,000	1,350,000	-	(225,000)	1,125,000	375,000
2020 Limited Tax General Obligation Refunding Bonds Amount of issue: \$1,580,000 Maturing through 2025	2.36%	\$285,000 - \$290,000	1,715,000	-	(285,000)	1,430,000	285,000
Total other debt principal outstanding			3,260,000	-	(705,000)	2,555,000	660,000
Total bonds and contracts payable			20,172,805	783,534	(2,265,627)	18,690,712	1,743,467
Compensated absences			39,858	3,986	(14,627)	29,217	2,922
Total business-type activities long-term debt			\$ 20,212,663	\$ 787,520	\$ (2,280,254)	\$ 18,719,929	\$ 1,746,389

Note 7 - Long-term Debt (Continued)

Component Units

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Other debt:							
2019 Limited Tax General Obligation Redevelopment Refunding Bonds - Brownfield Authority:							
Original issue: \$9,215,000	3.50% -	\$620,000 -					
Maturing through 2032	4.00%	\$880,000	\$ 8,060,000	\$ -	\$ (600,000)	\$ 7,460,000	\$ 620,000
2019 Limited Tax General Obligation Downtown Development Refunding Bonds							
Original issue: \$1,805,000	1.36%	\$365,000 -					
Maturing through 2025		\$370,000	1,450,000	-	(360,000)	1,090,000	365,000
Total other debt principal outstanding			9,510,000	-	(960,000)	8,550,000	985,000
Unamortized bond premiums			580,926	-	(52,812)	528,114	-
Unamortized bond discounts			(19,462)	-	1,769	(17,693)	-
Total bonds and contracts payable			10,071,464	-	(1,011,043)	9,060,421	985,000
Compensated absences - Housing Commission - December 31, 2021			15,804	2,846	(2,371)	16,279	2,442
Total component unit long-term debt			\$ 10,087,268	\$ 2,846	\$ (1,013,414)	\$ 9,076,700	\$ 987,442

The City, including component units, had deferred outflows of \$77,580 related to deferred charges on bond refundings at June 30, 2022.

General Obligation Bonds and Contracts

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and leases are also general obligations of the City.

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2023	\$ 490,000	\$ 748,257	\$ 650,000	\$ 234,835	\$ 2,123,092
2024	505,000	742,275	705,000	212,509	2,164,784
2025	520,000	731,442	715,000	188,983	2,155,425
2026	530,000	721,798	740,000	164,557	2,156,355
2027	550,000	703,354	755,000	139,572	2,147,926
2028-2032	3,065,000	3,194,901	2,665,000	382,850	9,307,751
Thereafter	11,925,000	4,347,148	805,000	24,900	17,102,048
Total	\$ 17,585,000	\$ 11,189,175	\$ 7,035,000	\$ 1,348,206	\$ 37,157,381

Years Ending June 30	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2023	\$ 1,083,467	\$ 489,142	\$ 660,000	\$ 46,135	\$ 2,278,744
2024	1,375,165	458,431	665,000	34,159	2,532,755
2025	1,144,770	426,746	655,000	22,113	2,248,629
2026	1,181,300	394,162	285,000	10,207	1,870,669
2027	1,228,041	360,514	290,000	3,422	1,881,977
2028-2032	5,952,771	1,291,615	-	-	7,244,386
Thereafter	4,170,198	1,105,408	-	-	5,275,606
Total	\$ 16,135,712	\$ 4,526,018	\$ 2,555,000	\$ 116,036	\$ 23,332,766

Years Ending June 30	Component Unit Activities		
	Other Debt		
	Principal	Interest	Total
2023	\$ 985,000	\$ 304,574	\$ 1,289,574
2024	1,015,000	274,810	1,289,810
2025	1,030,000	243,978	1,273,978
2026	700,000	212,150	912,150
2027	730,000	184,150	914,150
2028-2032	4,090,000	464,400	4,554,400
Thereafter	-	-	-
Total	\$ 8,550,000	\$ 1,684,062	\$ 10,234,062

Note 7 - Long-term Debt (Continued)

Revenue Pledged in Connection with Debt

The City has pledged, as security for 2015B Michigan Finance Authority - Local Government Loan Program Revenue bonds and the 2014 State of Michigan Emergency Loan (collectively, the "Bonds") issued by the City, a portion of the City's state-shared revenue, as authorized by Act 227 and the State Revenue Sharing Act. The state treasurer sends 100 percent of the state-shared revenue due to the City to the city master trustee for as long as the Bonds are outstanding. The city master trustee accumulates state-shared revenue in sufficient amounts to pay debt service on the Bonds. Any amounts remaining after setting aside the amounts necessary to satisfy debt service are released to the City's General Fund. Total principal and interest remaining on the 2015B Michigan Finance Authority - Local Government Loan Program Revenue bonds total \$27,924,271, with annual requirements ranging from \$960,141 in 2023 to \$1,252,360 in the final year. Total principal and interest remaining on the 2014 State of Michigan Emergency Loan total \$850,174, with annual requirements ranging from \$278,387 in 2022 to \$286,701 in the final year. The state-shared revenue, from which the appropriations will be made have averaged approximately \$3,146,000 over the last three years. For the current year, the principal and interest paid by the City and the total state-shared revenue recognized by the City were \$287,227 and \$3,470,851, respectively.

Subsequent Event

Subsequent to year end, the City issued two bonds: the 2022 Capital Improvement Bonds and the 2022 Michigan Transportation Fund Bonds. The 2022 Capital Improvement Bonds totaled \$2,535,000 plus interest at 2.68 percent maturing through 2034. The 2022 Michigan Transportation Fund Bonds totaled \$9,575,000 plus interest at 2.68 percent maturing through 2037.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal League (risk pool) for claims relating to general liability, property loss, and workers' compensation. The City has assumed a significant amount of financial responsibility for medical claim costs, subject to certain limitations of \$75,000 per specific claim, with no limit in aggregate claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City estimates the liability for health and prescription claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. Changes in the estimated liability for the fiscal year were as follows:

	<u>Medical Claims</u>
Estimated liability - Beginning of year	\$ 604,800
Estimated claims incurred, including changes in estimates	2,070,498
Claim payments	<u>(2,242,229)</u>
Estimated liability - End of year	<u>\$ 433,069</u>

Note 9 - Brownfield Redevelopment Authority Commitment

The Brownfield Redevelopment Authority has committed to reimburse the costs paid by Clay Park Development (the "Developer") for a development project in the amount of \$10,715,702, plus interest at 5 percent per year. The reimbursement is contingent upon future tax increment revenue through June 30, 2032. During the year, the Brownfield Redevelopment Authority reimbursed the Developer \$901,939 and paid interest of \$250,061. At June 30, 2022, the outstanding commitment is \$4,328,559.

Note 10 - Litigation

The City is named a party to a number of lawsuits in the normal course of business. The City disagrees with the allegations and intends to vigorously defend these claims.

Note 11 - Pension Plan

Plan Description

The City of Allen Park, Michigan provides a monthly retirement benefit to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the Employees Retirement System (the "Pension Plan"), a cost-sharing multiple-employer defined benefit pension plan administered by the board of trustees (the "pension board"). There are two participating employers in the Pension Plan: the City of Allen Park, Michigan and the 24th District Court.

The financial statements of the pension system are included in these financial statements as a pension trust fund (a fiduciary fund).

Management of the Pension Plan is vested in the pension board, which consists of seven members - the finance director, a retiree appointed by the board and approved by the City Council, two citizens appointed by the mayor and approved by the City Council, a police officer and firefighter member appointed from the respective unions, and a general member elected by the general members.

Benefits Provided

The Employees Retirement System provides retirement, deferred retirement, duty disability, nonduty disability, duty death, and nonduty death benefits to lieutenants and sergeants, police, fire, general, and administrative appointees. Retirement benefits are calculated as various percentages (ranging from 2.0 to 2.9 percent) of the employee's final average compensation (as defined by each employee group) times the employee's years of service. To be eligible, employees must have a minimum number of years of service (ranging from 10 to 25 years) and must meet minimum retirement age (ranging from 52 to 55). Certain employees who leave city service may withdraw their contributions, plus any accumulated interest.

Benefit terms generally are established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	<u>Employees Retirement System</u>
Date of member count	December 31, 2021
Inactive plan members or beneficiaries currently receiving benefits	226
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>80</u>
Total employees covered by the Pension Plan	<u><u>314</u></u>

Note 11 - Pension Plan (Continued)

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The City hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to make pension contributions based on union contracts. The City's required contribution is determined after consideration of the required contribution rate of employees. For the year ended June 30, 2022, the active employee contribution rate was 7.0 percent of covered compensation, and the City contributed the actuarial required contribution of \$3,062,884, of which \$600,708 was paid by the 24th District Court.

Net Pension Liability

The net pension liability of \$7,254,219 has been allocated separately to the City and to the 24th District Court. A special funding situation does not exist in accordance with Governmental Accounting Standards Board Statement No. 68, and, therefore, the City has not recorded the court's proportionate share of the net pension liability. The City's proportionate share of the net pension liability is \$5,803,859 at June 30, 2022.

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2022 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2021 measurement date. The December 31, 2021 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the Pension Plan's net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 119,037,083	\$ 102,634,588	\$ 16,402,495
Changes for the year:			
Service cost	1,378,133	-	1,378,133
Interest	7,813,208	-	7,813,208
Changes in benefits	(4,065)	-	(4,065)
Differences between expected and actual experience	910,872	-	910,872
Contributions - Employer	-	3,112,249	(3,112,249)
Contributions - Employee	-	487,198	(487,198)
Net investment income	-	15,698,053	(15,698,053)
Benefit payments, including refunds	(7,949,846)	(7,949,846)	-
Administrative expenses	-	(51,076)	51,076
Net changes	2,148,302	11,296,578	(9,148,276)
Balance at December 31, 2021	\$ 121,185,385	\$ 113,931,166	\$ 7,254,219

The Pension Plan's fiduciary net position represents 94.01 percent of the total pension liability.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2022, the City recognized a pension recovery of \$(231,496).

Note 11 - Pension Plan (Continued)

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 584,276	\$ -
Changes in assumptions	882,436	-
Net difference between projected and actual earnings on pension plan investments	-	(9,744,169)
Employer contributions to the Pension Plan subsequent to the measurement date	1,225,258	-
Total	\$ 2,691,970	\$ (9,744,169)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2023	\$ (833,351)
2024	(3,875,139)
2025	(2,141,847)
2026	(1,427,120)
Total	\$ (8,277,457)

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using an inflation assumption of 2.75 percent, assumed salary increases (including inflation) of 2.75 to 6.3 percent, an investment rate of return (net of investment expenses) of 6.75 percent, and the Pub-2010 mortality tables.

The actuarial assumptions used in the December 31, 2021 actuarial valuation date valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2019. The results of the experience study were first used in the December 31, 2020 actuarial valuation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 11 - Pension Plan (Continued)

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the December 31, 2021 measurement date for each major asset class included in the Pension Plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	65.00 %	6.65 %
Real estate	5.00	8.00
Fixed income	24.00	2.00
Cash	1.00	-

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Pension Plan, calculated using the discount rate of 6.75 percent, as well as what the Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.75%)	Current Discount Rate (6.75%)	1 Percentage Point Increase (7.75%)
Net pension liability of the Employees Retirement System	\$ 20,910,079	\$ 7,254,219	\$ (4,176,628)

Benefit Changes

An annuity withdrawal is not available to APPOA/APPLSA members hired on or after July 1, 2020. In addition, effective July 1, 2020, APPOA members are eligible for the automatic 70 percent to survivor option. The maximum benefit for lieutenants and sergeants increased from \$80,000 to \$90,000.

Investment Policy

The Pension Plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Pension Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The pension board's adopted asset allocation policy as of December 31, 2021 is included in the investment rate of return section above.

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 21.43 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with the city ordinance, the following reserves are required to be set aside within the Pension Plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

Note 11 - Pension Plan (Continued)

The employee reserve is credited as employee contributions are received throughout the year; the Pension Plan maintains a record of the amount contributed by each employee and credits interest annually. For any employees who terminate before vesting in the Pension Plan, their balances are returned to them; for those who stay until retirement, the balances are transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the Pension Plan after funding the above two reserves.

The balances of the reserve accounts at December 31, 2021 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	\$ 88,907,885	\$ 88,907,885
Employee reserve	5,133,795	5,133,795
Employer reserve	<u>19,889,486</u>	<u>19,889,486</u>
Total	<u>\$ 113,931,166</u>	<u>\$ 113,931,166</u>

Note 12 - Other Postemployment Benefit Plan

Plan Description

The City administers the City of Allen Park Retiree Healthcare Plan, a cost-sharing defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for police, fire, nonunion, and TPOAM (AFSCME) groups. There are two participating employers in the Plan: the City of Allen Park, Michigan and the 24th District Court.

Management of the Plan is vested with the City Council.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Benefits Provided

The City of Allen Park Retiree Healthcare Plan provides health care, dental, vision, and life insurance benefits for eligible retirees and their dependents. Dental and vision are covered until the age of 65. Life insurance is currently provided between \$7,500 and \$10,000. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan, except for participant contributions, as described below. The Plan is closed to TPOAM (AFSCME) members hired after April 1, 2005. The Plan is closed to nonunion employees hired after July 1, 2011. The Plan is closed to police and fire employees hired after July 1, 2013.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	<u>City of Allen Park Retiree Healthcare Plan - As of June 30, 2022</u>
Inactive plan members or beneficiaries currently receiving benefits	206
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>62</u>
Total plan members	<u><u>270</u></u>

Note 12 - Other Postemployment Benefit Plan (Continued)

Contributions

Retiree health care costs are paid by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the City paid postemployment health care premiums of \$2,135,182, plus it contributed \$500,000 into a prefunded retiree health care fund, which is reported in these financial statements as a pension and other employee benefit trust fund type. Inactive plan members share in the cost of OPEB as follows:

TPOAM (AFSCME)

Employees hired before April 1, 2005 with 15 to 20 years of service contribute 40 percent of plan premiums. Employees hired before April 1, 2005 with 21 to 24 years of service contribute 20 percent of plan premiums. Employees hired before April 1, 2005 with 25 or more years of service have no employee contribution requirement.

Nonunion

Employees hired before July 1, 2011 contribute 20 percent of plan premiums.

Police and Fire

Employees hired before July 1, 2013 contribute the full plan premium minus 4 percent times years of service.

Net OPEB Liability

The net OPEB liability of \$38,164,756 has been allocated separately to the City and to the 24th District Court. A special funding situation does not exist in accordance with Governmental Accounting Standards Board Statement No. 75, and, therefore, the City has not recorded the court's proportionate share of the net OPEB liability. The City's proportionate share of the net OPEB liability is \$33,597,484 at June 30, 2022.

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2022 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2022 measurement date. The June 30, 2022 total OPEB liability was determined by an actuarial valuation performed as of January 1, 2020, which used update procedures to roll forward the estimated liability to June 30, 2021.

Note 12 - Other Postemployment Benefit Plan (Continued)

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2021	\$ 48,285,852	\$ 4,369,894	\$ 43,915,958
Changes for the year:			
Service cost	726,236	-	726,236
Interest	3,236,256	-	3,236,256
Changes in benefits	(581,991)	-	(581,991)
Differences between expected and actual experience	(5,975,173)	-	(5,975,173)
Changes in assumptions	(1,197,583)	-	(1,197,583)
Contributions - Employer	-	2,635,182	(2,635,182)
Net investment loss	-	(675,393)	675,393
Benefit payments, including refunds	(2,135,182)	(2,135,182)	-
Administrative expenses	-	(842)	842
Net changes	(5,927,437)	(176,235)	(5,751,202)
Balance at June 30, 2022	\$ 42,358,415	\$ 4,193,659	\$ 38,164,756

The Plan's fiduciary net position represents 9.90 percent of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized an OPEB recovery of \$(1,832,096).

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (2,630,055)
Changes in assumptions	-	(527,132)
Net difference between projected and actual earnings on OPEB plan investments	353,033	-
Total	\$ 353,033	\$ (3,157,187)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2023	\$ (3,087,799)
2024	67,783
2025	42,049
2026	173,813
Total	\$ (2,804,154)

Note 12 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using an inflation assumption of 3 percent; assumed salary increases (including inflation) of 3.7 to 6.8 percent; an investment rate of return (net of investment expenses) of 6.75 percent; a health care cost trend rate of 7.5 percent for 2022, decreasing by 0.25 to 0.50 percent per year to an ultimate rate of 5 percent for 2033 and later years; and the Pub-2010 Public Retirement Plan mortality tables.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75 percent and is based on the assumption that the benefits to be paid each year will be funded entirely from pay-as-you-go contributions provided by the City.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of the June 30, 2022 measurement date for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Nominal Rate of Return
Large-cap core equity	30.00 %	6.75 %
Mid-cap equity	10.00	7.60
Small-cap equity	6.00	7.95
International equity - Developed	16.00	1.50
International equity - Emerging markets	4.00	10.00
Real estate	3.00	7.50
Domestic fixed income	25.00	3.15
Domestic high yield	5.00	5.35
Cash	1.00	-

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, calculated using the discount rate of 6.75 percent, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.75%)	Current Discount Rate (6.75%)	1 Percentage Point Increase (7.75%)
Net OPEB liability of the City of Allen Park Retiree Healthcare Plan	\$ 42,770,669	\$ 38,164,756	\$ 34,289,987

Note 12 - Other Postemployment Benefit Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Plan, calculated using the current health care cost trend rate, as well as what the Plan's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB liability of the City of Allen Park Retiree Healthcare Plan	\$ 33,943,644	\$ 38,164,756	\$ 43,200,080

Assumption Changes

The assumed mortality projection scale for Full Generational Improvement was updated from MP-2020 to MP-2021.

Benefit Changes

During the year, benefits were updated to reflect that future retiring employees (not police) are to be covered under the PPO 3 plan.

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council. It is the policy of the City Council to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy objective is preservation of capital. The asset allocation approved is included in the investment rate of return section above.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (24.0) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 13 - Defined Contribution Retirement Plan and Health Care Savings Plan

The City sponsors a 401(k) plan for certain employees who meet the eligibility requirements. Effective April 1, 2005, a defined contribution plan was established for all new hires. For each employee in the defined contribution plan, the City contributes 7.0 percent of annual salary. Employees contribute 5.0 percent of annual salary and are permitted to make contributions to the plan up to applicable Internal Revenue Code limits. Employees are immediately vested in their own contributions and earnings on those contributions and become vested in city contributions and earnings on city contributions 20 percent after three years, 40 percent after four years, 60 percent after five years, 80 percent after six years, and 100 percent after seven years of creditable service with the City. Appointees are fully vested after two years of creditable service. Nonvested city contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the plan's administrative expenses. Loans are allowed from the plan effective September 11, 2012, and rollovers are allowed in the plan. The benefits are administered by MERS. Contributions to the plan totaled \$163,337 for the year ended June 30, 2022.

The City provides a Health Care Savings Plan for employees not eligible for retiree health care benefits. The plan is administered by MERS. For police and fire members, the City contributes 3 percent of an employee's base salary and requires a 3 percent employee contribution. There is no vesting period for police and fire employees. For TPOAM (AFSCME) employees, the City contributes \$100 per month for active plan members. City contributions vest after seven years of service for AFSCME (TPOAM) employees. Expenses under the plan amounted to \$74,174 for the year ended June 30, 2022.

Note 14 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment health care plans:

	Pension Trust Fund - December 31, 2021	Retiree Healthcare Fund	Pension and Other Employee Benefit Funds
Statement of Net Position			
Investments	\$ 111,143,053	\$ 4,100,315	\$ 115,243,368
Other assets	2,788,113	87,357	2,875,470
Net position	<u>\$ 113,931,166</u>	<u>\$ 4,187,672</u>	<u>\$ 118,118,838</u>
Statement of Changes in Net Position			
Investment income (loss)	\$ 15,646,919	\$ (682,252)	\$ 14,964,667
Contributions	3,599,448	2,635,182	6,234,630
Benefit payments	7,949,789	2,135,182	10,084,971
Net change in net position	<u>\$ 11,296,578</u>	<u>\$ (182,252)</u>	<u>\$ 11,114,326</u>

Note 15 - Tax Abatements

The City receives reduced property tax revenue as a result of brownfield redevelopment agreements granted by cities within the boundaries of the City. Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2022, the City's property tax revenue was reduced by \$1,152,000 under this program.

Note 16 - Joint Venture

Downriver Utility Wastewater Authority

The City, along with 12 other communities, jointly participates in Downriver Utility Wastewater Authority (DUWA). Previously, this sewer system was operated by Wayne County and was known as the Downriver Sewage Disposal System (the "System"). On September 27, 2018, the System transferred from the County of Wayne, Michigan to the Downriver Utility Wastewater Authority. DUWA is a consortium formed in 2010 under Public Act 233 of 1955 to acquire and operate the sewer system. The same 12 communities that originally jointly participated in the System are now the members of DUWA and are effectively owners of the authority. The System's assets and all of the System's debt except for the judgment levy debt were transferred to DUWA. The judgment levy debt from the System still remains as an obligation of the County and will continue to be paid from the communities to the County.

The City's share of capital assets, restricted cash (for debt service), and related debt is recorded in the Water and Sewer Fund. For DUWA, the City paid \$675,076 for operations of the authority and paid \$675,816 for debt service. For the judgment levy debt, the City paid \$80,717 to Wayne County for debt service. The City is not aware of any circumstances that would cause additional benefit or burden to the participating governments in the near future. Financial statements for the joint venture, DUWA, can be obtained from the administrative offices at 25605 Northline Road, Taylor, MI 48180.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes:				
Property taxes	\$ 8,617,650	\$ 8,617,650	\$ 8,553,809	\$ (63,841)
Police and fire millage	5,403,570	5,403,570	5,393,842	(9,728)
Intergovernmental:				
Federal grants	35,900	35,900	50,187	14,287
State sources	3,800,490	3,830,490	4,298,527	468,037
Charges for services:				
Charges to other funds	960,300	960,300	1,110,676	150,376
User fees	2,508,800	2,508,800	2,396,916	(111,884)
Fines and forfeitures	1,866,600	1,666,600	1,523,726	(142,874)
Licenses and permits:				
Cable franchise fees	530,000	530,000	510,343	(19,657)
Business licenses	35,800	35,800	37,200	1,400
Interest and rentals	84,400	84,400	20,572	(63,828)
Other revenue	129,000	795,865	239,643	(556,222)
Total revenue	23,972,510	24,469,375	24,135,441	(333,934)
Expenditures				
Current services:				
General government:				
Mayor and City Council	47,400	50,510	50,029	481
Finance	364,800	350,800	314,192	36,608
Cable/Information technology	124,800	124,800	102,476	22,324
Treasurer	156,670	151,870	138,076	13,794
Assessing	159,240	149,240	152,010	(2,770)
Clerk	221,800	228,000	230,224	(2,224)
Administration	1,389,330	1,539,330	1,378,710	160,620
City hall	200,400	200,400	197,676	2,724
Retiree health care	3,151,500	2,914,500	2,528,583	385,917
District court	1,786,400	1,786,400	1,786,400	-
Public safety:				
Police	6,477,650	6,642,650	6,610,401	32,249
Fire	4,142,910	4,282,910	4,261,576	21,334
Public service	1,718,930	2,101,930	2,095,706	6,224
Recreation and culture:				
Parks and recreation	505,740	455,740	370,721	85,019
Community center	737,950	702,950	646,329	56,621
Debt service	1,532,880	1,532,880	1,534,804	(1,924)
Total expenditures	22,718,400	23,214,910	22,397,913	816,997
Excess of Revenue Over Expenditures	1,254,110	1,254,465	1,737,528	483,063
Other Financing (Uses) Sources				
Transfers out	(1,421,000)	(1,421,000)	(1,421,000)	-
Sale of capital assets	-	-	1,000	1,000
Total other financing uses	(1,421,000)	(1,421,000)	(1,420,000)	1,000
Net Change in Fund Balance	(166,890)	(166,535)	317,528	484,063
Fund Balance - Beginning of year	4,507,781	4,507,781	4,507,781	-
Fund Balance - End of year	<u>\$ 4,340,891</u>	<u>\$ 4,341,246</u>	<u>\$ 4,825,309</u>	<u>\$ 484,063</u>

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios

Last Eight Plan Years

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 1,378,133	\$ 1,342,785	\$ 1,322,978	\$ 1,308,576	\$ 1,348,167	\$ 1,318,028	\$ 1,171,406	\$ 1,210,976
Interest	7,813,208	7,612,547	7,657,947	7,486,903	7,358,871	7,273,210	7,053,955	6,724,409
Changes in benefit terms	(4,065)	671,957	10,863	-	(42,368)	(655,066)	279,525	(277,263)
Differences between expected and actual experience	910,872	731,250	(2,183,943)	1,011,357	422,650	316,565	1,491,147	(2,874,762)
Changes in assumptions	-	4,355,062	-	-	-	-	-	6,922,280
Benefit payments, including refunds	(7,949,846)	(7,511,599)	(7,421,048)	(7,320,046)	(7,156,947)	(6,931,182)	(6,943,101)	(7,013,015)
Net Change in Total Pension Liability	2,148,302	7,202,002	(613,203)	2,486,790	1,930,373	1,321,555	3,052,932	4,692,625
Total Pension Liability - Beginning of year	119,037,083	111,835,081	112,448,284	109,961,494	108,031,121	106,709,566	103,656,634	98,964,009
Total Pension Liability - End of year	\$ 121,185,385	\$ 119,037,083	\$ 111,835,081	\$ 112,448,284	\$ 109,961,494	\$ 108,031,121	\$ 106,709,566	\$ 103,656,634
Plan Fiduciary Net Position								
Contributions - Employer	\$ 3,112,249	\$ 2,629,494	\$ 2,832,930	\$ 2,646,084	\$ 2,659,008	\$ 2,641,242	\$ 2,699,151	\$ 5,028,314
Contributions - Member	487,198	443,413	469,853	465,864	448,132	512,597	404,395	426,203
Net investment income (loss)	15,698,053	11,035,732	17,383,741	(5,315,188)	13,121,110	4,649,658	650,672	5,059,609
Administrative expenses	(51,076)	(51,367)	(41,966)	(29,838)	(47,674)	(26,857)	(78,030)	(49,565)
Benefit payments, including refunds	(7,949,846)	(7,511,599)	(7,421,048)	(7,320,046)	(7,156,947)	(6,931,182)	(6,943,101)	(7,013,015)
Other	-	-	(1,777)	(5,544)	(6,319)	(6,005)	(1,172)	5,308
Net Change in Plan Fiduciary Net Position	11,296,578	6,545,673	13,221,733	(9,558,668)	9,017,310	839,453	(3,268,085)	3,456,854
Plan Fiduciary Net Position - Beginning of year	102,634,588	96,088,915	82,867,182	92,425,850	83,408,540	82,569,087	85,837,172	82,380,318
Plan Fiduciary Net Position - End of year	\$ 113,931,166	\$ 102,634,588	\$ 96,088,915	\$ 82,867,182	\$ 92,425,850	\$ 83,408,540	\$ 82,569,087	\$ 85,837,172
City's Net Pension Liability - Ending	\$ 7,254,219	\$ 16,402,495	\$ 15,746,166	\$ 29,581,102	\$ 17,535,644	\$ 24,622,581	\$ 24,140,479	\$ 17,819,462
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.01 %	86.22 %	85.92 %	73.69 %	84.05 %	77.21 %	77.38 %	82.81 %
Covered Payroll	\$ 6,440,955	\$ 6,526,884	\$ 6,514,824	\$ 6,495,009	\$ 6,306,637	\$ 6,205,866	\$ 5,846,208	\$ 5,250,588
City's Net Pension Liability as a Percentage of Covered Payroll	112.63 %	251.31 %	241.70 %	455.44 %	278.05 %	396.76 %	412.93 %	339.38 %

Required Supplemental Information
Schedule of Pension Plan Contributions

Last Ten Fiscal Years
Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 3,062,884	\$ 2,709,942	\$ 3,000,105	\$ 2,665,764	\$ 2,659,008	\$ 2,641,242	\$ 2,699,151	\$ 2,995,152	\$ 3,334,274	\$ 4,032,651
Contributions in relation to the actuarially determined contribution	3,062,884	2,709,942	3,000,105	2,665,764	2,659,008	2,641,242	2,699,151	5,028,314	2,204,685	1,310,580
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,033,162	\$ (1,129,589)	\$ (2,722,071)
Covered Payroll	\$ 6,440,955	\$ 6,526,884	\$ 6,514,824	\$ 6,495,009	\$ 6,306,637	\$ 6,205,866	\$ 5,846,208	\$ 5,250,588	\$ 5,800,000	\$ 6,800,000
Contributions as a Percentage of Covered Payroll	47.55 %	41.52 %	46.05 %	41.04 %	42.16 %	42.56 %	46.17 %	95.77 %	38.01 %	19.27 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, which is six months prior to the beginning of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	AFSCME - Level dollar, closed
	Police and Fire - Level percentage of payroll, closed
Remaining amortization period	AFSCME - 12 years
	Police and Fire - 18 years
Asset valuation method	4-year smoothed market; 25 percent corridor
Inflation	2.25 percent
Salary increase	2.75 percent to 11.85 percent, including inflation
Investment rate of return	6.75 percent
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 tables

Required Supplemental Information
Schedule of Pension Plan Investment Returns

	Last Six Plan Years					
	Years Ended December 31					
	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	21.43 %	11.67 %	21.43 %	(5.92)%	16.03 %	5.71 %

Required Supplemental Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Employees Retirement System

	Last Eight Plan Years							
	Plan Years Ended December 31							
	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability	80.00665 %	79.14640 %	79.85371 %	79.11474 %	79.43957 %	75.85075 %	78.53700 %	78.21488 %
City's proportionate share of the net pension liability	\$ 5,803,859	\$ 12,981,985	\$ 12,573,899	\$ 23,403,011	\$ 13,930,240	\$ 18,676,413	\$ 18,959,205	\$ 13,937,470
City's covered payroll	\$ 5,153,192	\$ 5,165,002	\$ 5,202,329	\$ 5,138,509	\$ 5,009,965	\$ 5,640,041	\$ 5,645,256	\$ 4,707,770
City's proportionate share of the net pension liability as a percentage of its covered payroll	112.63 %	251.35 %	241.70 %	455.44 %	278.05 %	331.14 %	335.84 %	296.05 %
Plan fiduciary net position as a percentage of total pension liability	94.01 %	86.22 %	85.92 %	73.69 %	84.05 %	77.21 %	77.38 %	82.81 %

Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios

Last Five Fiscal Years

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 726,236	\$ 736,582	\$ 816,659	\$ 781,151	\$ 733,684
Interest	3,236,256	3,462,857	3,458,074	3,535,732	3,438,175
Changes in benefit terms	(581,991)	-	-	-	-
Differences between expected and actual experience	(5,975,173)	(5,253,504)	(3,679,415)	(4,372,588)	-
Changes in assumptions	(1,197,583)	1,976,683	2,156,813	1,463,911	(285,488)
Benefit payments, including refunds	(2,135,182)	(2,739,085)	(2,468,596)	(2,637,395)	(2,442,993)
Net Change in Total OPEB Liability	(5,927,437)	(1,816,467)	283,535	(1,229,189)	1,443,378
Total OPEB Liability - Beginning of year	48,285,852	50,102,319	49,818,784	51,047,973	49,604,595
Total OPEB Liability - End of year	\$ 42,358,415	\$ 48,285,852	\$ 50,102,319	\$ 49,818,784	\$ 51,047,973
Plan Fiduciary Net Position					
Contributions - Employer	\$ 2,635,182	\$ 3,239,085	\$ 2,968,596	\$ 3,137,395	\$ 2,942,993
Net investment (loss) income	(675,393)	968,974	36,170	129,977	119,620
Administrative expenses	(842)	(785)	(766)	(1,604)	(7,525)
Benefit payments, including refunds	(2,135,182)	(2,739,085)	(2,468,596)	(2,637,395)	(2,442,993)
Net Change in Plan Fiduciary Net Position	(176,235)	1,468,189	535,404	628,373	612,095
Plan Fiduciary Net Position - Beginning of year	4,369,894	2,901,705	2,366,301	1,737,928	1,125,833
Plan Fiduciary Net Position - End of year	\$ 4,193,659	\$ 4,369,894	\$ 2,901,705	\$ 2,366,301	\$ 1,737,928
Net OPEB Liability - Ending	\$ 38,164,756	\$ 43,915,958	\$ 47,200,614	\$ 47,452,483	\$ 49,310,045
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	9.90 %	9.05 %	5.79 %	4.75 %	3.40 %

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

Required Supplemental Information
Schedule of OPEB Investment Returns

	Last Five Fiscal Years				
	Years Ended June 30				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	(24.0)%	30.5 %	1.3 %	6.3 %	7.9 %

City of Allen Park, Michigan

Required Supplemental Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
City of Allen Park Retiree Healthcare Plan

	Last Five Fiscal Years				
	Years Ended June 30				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB liability	88.03275 %	89.88927 %	90.41103 %	90.87438 %	90.76752 %
City's proportionate share of the net OPEB liability	\$ 33,597,484	\$ 39,475,734	\$ 42,674,561	\$ 43,122,146	\$ 44,787,507
Plan fiduciary net position as a percentage of total OPEB liability	9.90 %	9.05 %	5.79 %	4.75 %	3.40 %

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 4,225,828	\$ 4,591,871	\$ 4,697,591	\$ 4,809,582	\$ 4,691,771	\$ 5,848,567	\$ 5,848,567	\$ 5,848,567	\$ 5,955,493	\$ 5,955,493
Contributions in relation to the actuarially determined contribution	2,635,182	3,239,085	2,968,353	3,137,395	2,942,993	3,198,255	3,565,360	2,908,544	2,392,414	3,154,563
Contribution Deficiency	\$ (1,590,646)	\$ (1,352,786)	\$ (1,729,238)	\$ (1,672,187)	\$ (1,748,778)	\$ (2,650,312)	\$ (2,283,207)	\$ (2,940,023)	\$ (3,563,079)	\$ (2,800,930)
Covered-employee Payroll	\$ 4,333,494	\$ 4,828,537	\$ 4,828,537	\$ 5,299,317	\$ 5,299,317	\$ 7,158,292	\$ 7,158,292	\$ 6,077,675	\$ 6,077,675	\$ 7,088,572
Contributions as a Percentage of Covered-employee Payroll	60.81 %	67.08 %	61.48 %	59.20 %	55.54 %	44.68 %	49.81 %	47.86 %	39.36 %	44.50 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.50 percent
Health care cost trend rates	Pre-65: 7.00 percent graded down to 4.5 percent; Post-65: 4.5 percent
Salary increase	3.7 percent to 6.8 percent
Investment rate of return	6.75 percent
Retirement age	52-65 years
Mortality	Pub-2010 public retirement plans

Pension Information

Benefit Changes

2020: The following benefit changes were made: An annuity withdrawal is not available to APPOA/APPLSA members hired on or after July 1, 2020. In addition, effective July 1, 2020, APPOA members are eligible for the automatic 70 percent to survivor option. The maximum benefit for lieutenants and sergeants increased from \$80,000 to \$90,000.

Changes in Assumptions

2020: The following assumptions were changed based on an experience study for the five-year period ended December 31, 2018:

- The inflation assumption was reduced to 2.75 percent.
- The salary increases decreased to a range of 2.75 percent to 6.30 percent.
- The investment rate of return was reduced to 6.75 percent.
- The mortality rates were updated to be based on the Pub-2010 mortality tables.

OPEB Information

Benefit Changes

2022: Future retiring employees (not police) are assumed to be covered under the PPO 3 plan, previously covered under the PPO 2 plan.

Changes in Assumptions

2022: The assumed mortality projection scale for Full Generational Improvement was updated from MP-2020 to MP-2021.

2021: The investment rate of return was reduced from 7.0 percent to 6.75 percent.

2020: The mortality rates were updated to the Society of Actuaries Pub-2010 Public Retirement Plan mortality tables.

2019: The mortality rates were updated to the RPH-2014 mortality tables using the MP-2018 improvement scale.

2018: The mortality rates were updated to the RPH-2014 mortality tables using the MP-2017 improvement scale.

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2022

	Nonmajor Special Revenue Funds							Nonmajor Debt Service Fund	Total	
	Major Highway Fund	Local Highway Fund	Building Fund	Drug Law Enforcement Fund	Indigent Defense Fund	Library Fund	Rubbish Fund	Special Projects		Community Center Debt Fund
Assets										
Cash and investments	\$ 1,461,485	\$ 363,287	\$ 1,250,840	\$ 67,549	\$ 38,039	\$ 104,927	\$ 356,591	\$ 246,251	\$ 322,367	\$ 4,211,336
Receivables - Due from other governmental units	386,851	139,600	-	-	-	100,957	-	-	-	627,408
Total assets	\$ 1,848,336	\$ 502,887	\$ 1,250,840	\$ 67,549	\$ 38,039	\$ 205,884	\$ 356,591	\$ 246,251	\$ 322,367	\$ 4,838,744
Liabilities										
Accounts payable	\$ 299,900	\$ 167,486	\$ 23,087	\$ 1,500	\$ 11,320	\$ 8,987	\$ 9,937	\$ -	\$ -	\$ 522,217
Refundable deposits and bonds	-	-	117,027	-	-	-	-	-	-	117,027
Accrued liabilities and other	-	-	4,132	-	-	4,116	-	-	-	8,248
Unearned revenue	-	-	-	-	26,719	-	-	-	-	26,719
Total liabilities	299,900	167,486	144,246	1,500	38,039	13,103	9,937	-	-	674,211
Deferred Inflows of Resources -										
Unavailable revenue	-	-	-	-	-	86,786	-	-	-	86,786
Total liabilities and deferred inflows of resources	299,900	167,486	144,246	1,500	38,039	99,889	9,937	-	-	760,997
Fund Balances										
Restricted:										
Roads	1,548,436	335,401	-	-	-	-	-	-	-	1,883,837
Police	-	-	-	66,049	-	-	-	-	-	66,049
Debt service	-	-	-	-	-	-	-	-	322,367	322,367
Building	-	-	1,106,594	-	-	-	-	-	-	1,106,594
Library	-	-	-	-	-	105,995	-	-	-	105,995
Rubbish	-	-	-	-	-	-	346,654	-	-	346,654
Committed	-	-	-	-	-	-	-	246,251	-	246,251
Total fund balances	1,548,436	335,401	1,106,594	66,049	-	105,995	346,654	246,251	322,367	4,077,747
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,848,336	\$ 502,887	\$ 1,250,840	\$ 67,549	\$ 38,039	\$ 205,884	\$ 356,591	\$ 246,251	\$ 322,367	\$ 4,838,744

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2022

	Nonmajor Special Revenue Funds								Nonmajor Debt Service Fund	Total
	Major Highway Fund	Local Highway Fund	Building Fund	Drug Law Enforcement Fund	Indigent Defense Fund	Library Fund	Rubbish Fund	Special Projects	Community Center Debt Fund	
Revenue										
Taxes	\$ -	\$ 1,591,186	\$ -	\$ -	\$ -	\$ 636,029	\$ 1,908,205	\$ -	\$ 396,936	\$ 4,532,356
Intergovernmental	2,499,269	1,098,564	-	-	195,633	76,756	129,658	-	50,964	4,050,844
Charges for services	-	-	1,030,464	-	-	-	-	149,856	-	1,180,320
Fines and forfeitures	-	-	-	20,269	-	614	-	-	-	20,883
Interest and rentals	-	-	2,312	-	-	-	-	-	-	2,312
Other revenue	7,197	-	85	-	-	26	201	3,590	-	11,099
Total revenue	2,506,466	2,689,750	1,032,861	20,269	195,633	713,425	2,038,064	153,446	447,900	9,797,814
Expenditures										
Current services:										
General government	-	-	502,637	-	-	-	-	-	-	502,637
District court	-	-	-	-	195,633	-	-	-	-	195,633
Public safety	-	-	-	33,152	-	-	-	-	-	33,152
Public works	1,686,761	2,990,559	-	-	-	-	1,914,469	-	-	6,591,789
Recreation and culture	-	-	-	-	-	796,701	-	76,099	-	872,800
Debt service:										
Principal	-	-	-	-	-	-	-	-	250,000	250,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	147,250	147,250
Total expenditures	1,686,761	2,990,559	502,637	33,152	195,633	796,701	1,914,469	76,099	397,250	8,593,261
Excess of Revenue Over (Under) Expenditures	819,705	(300,809)	530,224	(12,883)	-	(83,276)	123,595	77,347	50,650	1,204,553
Other Financing Sources (Uses)										
Transfers in	-	500,000	-	-	-	-	-	-	-	500,000
Transfers out	(150,000)	-	-	-	-	-	(96,718)	-	-	(246,718)
Total other financing (uses) sources	(150,000)	500,000	-	-	-	-	(96,718)	-	-	253,282
Net Change in Fund Balances	669,705	199,191	530,224	(12,883)	-	(83,276)	26,877	77,347	50,650	1,457,835
Fund Balances - Beginning of year	878,731	136,210	576,370	78,932	-	189,271	319,777	168,904	271,717	2,619,912
Fund Balances - End of year	\$ 1,548,436	\$ 335,401	\$ 1,106,594	\$ 66,049	\$ -	\$ 105,995	\$ 346,654	\$ 246,251	\$ 322,367	\$ 4,077,747

Other Supplemental Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2022

	Pension Trust Fund - December 31, 2021	Retiree Healthcare Fund	Pension and Other Employee Benefit Funds
Assets			
Cash and cash equivalents	\$ 2,649,768	\$ 86,513	\$ 2,736,281
Investments:			
Treasury bonds	8,371,811	-	8,371,811
Agency securities	2,270,907	-	2,270,907
Mutual funds - Fixed income	8,318,517	1,183,115	9,501,632
Mortgage securities	142,405	-	142,405
Stocks	15,446,559	-	15,446,559
Corporate bonds	8,550,858	-	8,550,858
Other fixed income	1,013,045	-	1,013,045
ETF - Equity	31,654,931	776,399	32,431,330
Mutual funds - Equity	35,374,020	2,140,801	37,514,821
Receivables - Accrued interest receivable	138,345	844	139,189
Total assets	113,931,166	4,187,672	118,118,838
Liabilities			
	-	-	-
Net Position			
Restricted:			
Pension	113,931,166	-	113,931,166
Postemployment benefits other than pension	-	4,187,672	4,187,672
Total net position	\$ 113,931,166	\$ 4,187,672	\$ 118,118,838

Other Supplemental Information
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2022

	<u>Pension Trust Fund - December 31, 2021</u>	<u>Retiree Healthcare Fund</u>	<u>Pension and Other Employee Benefit Funds</u>
Additions			
Investment income (expense):			
Interest and dividends	\$ 3,399,330	\$ 163,663	\$ 3,562,993
Net increase (decrease) in fair value of investments	12,570,962	(822,532)	11,748,430
Investment costs	<u>(323,373)</u>	<u>(23,383)</u>	<u>(346,756)</u>
Total investment income (loss)	15,646,919	(682,252)	14,964,667
Contributions:			
Employer contributions	3,112,249	2,635,182	5,747,431
Employee contributions	<u>487,199</u>	<u>-</u>	<u>487,199</u>
Total contributions	<u>3,599,448</u>	<u>2,635,182</u>	<u>6,234,630</u>
Total additions	19,246,367	1,952,930	21,199,297
Deductions - Benefit payments	<u>7,949,789</u>	<u>2,135,182</u>	<u>10,084,971</u>
Net Increase (Decrease) in Net Position Restricted for Pension and Other Employee Benefits	11,296,578	(182,252)	11,114,326
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	<u>102,634,588</u>	<u>4,369,924</u>	<u>107,004,512</u>
Net Position Restricted for Pension and Other Employee Benefits - End of year	<u>\$ 113,931,166</u>	<u>\$ 4,187,672</u>	<u>\$ 118,118,838</u>